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SUBJECT: FIRST MICROFINANCE BANK, AL-AMAL BANK  
REESTABLISHED IN YEMEN

¶1. SUMMARY: Al-Amal Bank has renewed its commitment to microfinance since November 2008. The bank is targeting micro-enterprises, low-income families, and women. It is basing its five-year business plan on reports from the Social Fund for Development (SFD) and International Finance Corporation (IFC) as well as recommendations from the Al-Amara Microfinance Bank in Morocco. Al-Amal Bank is a welcome addition to the underdeveloped Yemeni banking sector.  
END SUMMARY.

AL-AMAL BANK RENEWS COMMITMENT TO MICROFINANCE  
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¶2. Mohammad S. A. al-Lai, Executive Director of the Al-Amal Microfinance Bank, told Econoff on February 16 that the bank has renewed its commitment to microfinance in Yemen since November 2008. Although the Al-Amal Bank was established in 2002 as the first microfinance bank in Yemen, it reorganized itself under new leadership in 2008. According to al-Lai, the bank has 4500 active clients and USD 1.2 million in disbursed loans. Although the loan amounts are small (USD 50)4000), they target Yemenis who would otherwise not qualify for loans. The bank also particularly targets women as clients; a minimum of 65% of total active clients are women. Al-Lai told Econoff that Al-Amara Bank, the most successful microfinance bank in the Middle East and North Africa region, is mentoring Al-Amal by training employees in microfinance best practices. According to al-Lai, other than Al-Amara, there is a paucity of experience of microfinance experience in the region. (Note: Established in 1997, Al-Amara is a highly successful USAID initiative, becoming independent five years after establishment. End note.)

¶3. Ali Azaki, Director of Research and Development at Al-Amal Bank, told Econoff on February 16 that the bank intends to provide inclusive financial services for all Yemenis. By targeting low-income families and micro-enterprises, it is providing financial services to an emergent market within Yemen. Azaki said that Al-Amal has a five year business plan, which aims to provide financial services to underserved Yemenis, to expand the bank across Yemen, and to evolve into a sustainable institution. Over the course of five years, Al-Amal bank intends to expand to 100,000 active clients and USD 60 million disbursed loans. Al-Amal Bank is basing its business plan on studies by the SFD and International Finance Corporation (IFC). In 1997, the SFD identified 32,000 possible active clients and 12 NGOs that would benefit from microfinance. In addition, in a 2000 study, the SFD identified one million potential microfinance clients. Similarly, according to a December 2007 IFC report, there are 400,000 micro small enterprises (MSEs) in Yemen.

¶4. Al-Amal Bank emerged from the combined efforts of the

Social Fund for Development (SFD), the Arab Gulf Program for United Nations Development Organizations (AGFUND), and contributions from the private sector. Its capital (USD 5 million) comes from three sources: the Yemeni Government (45%), the AGFUND (35%), and the private sector (20%). (Note: al-Lai also mentioned that much of the capital is coming from Yemenis outside of Yemen, particularly in Saudi Arabia, but did not specify the amount. End note.)

#### A WELCOME ADDITION TO YEMENI BANKING SECTOR

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15. The Al-Amal Bank is a welcome addition to the underdeveloped Yemeni banking sector, where 17 banks serve five to six governorates, according to Al-Lai. Yemeni banks are not present in all 22 governorates, and suffer from limited investment opportunities. Because the banking sector is restricted to urban areas like Sana'a, it works with only 4.2% of Yemenis and misses approximately 120,000 actual population centers. (Note: Only two million people live and work in Sana'a; the other 20 million people live outside of Sana'a.) Al-Lai said that Yemeni banks tend to work only with large businesses. (Note: They would be considered medium-sized businesses by world standards. End note.) If Yemenis have wealth, they save it at home or retain it in the form of material objects, such as gold, he added.

16. COMMENT: Yemen is the least developed country in the Middle East and North Africa region with almost half of its 22 million people living below the poverty line, on less than USD two per day. Microfinance efforts are an infusion of much-needed capital to entrepreneurial Yemenis. Previously

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not active in Yemen, microfinance is a way to combat poverty. As the first microfinance bank in Yemen, Al-Amal is a pioneer within an underdeveloped banking sector and a struggling economy. END COMMENT.

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